

MOE Reduction Process In the Language of Special Education Finance

What impact does the MOE reduction process have on an LEA's FY10 unspent authority (unspent balance) and the FY10 SES?

Because the MOE reduction process does not impact the special education balance, spending authority is not impacted either.

Description	Before MOER	After Entry #1	After Entry #2
State/Local Receipts	\$ 100,000	\$ 100,000	\$ 100,000
IDEA Part B ARRA	\$ -	\$ 10,000	\$ 10,000
Total Revenues	\$ 100,000	\$ 110,000	\$ 110,000
State/Local SPED Expenses	\$ 100,000	\$ 90,000	\$ 90,000
Expenses reclassified as ARRA	\$ -	\$ 10,000	\$ 10,000
MOE Reduction Amount (3308)	\$ -	\$ -	\$ 10,000
Total Expenses	\$ 100,000	\$ 100,000	\$ 110,000
SPED Balance	\$ -	\$ 10,000	\$ -

How does the MOE reduction process flow through our books and the annual reports?

The MOE reduction process is recorded in an LEA's books based on how the LEA decides what special education expenses will be reclassified as being funded with ARRA for entry #1.

The MOE reduction process is recorded in an LEA's books based on how the LEA decides what general education expenses (ESEA activities) will be reclassified as being funded with the freed up state and local special education funds (project 3308) for entry #2.

Revenues	
Total State/Local Special Education Funds	\$1,527,575.00
Previous Year Carryover	\$0.00
IDEA Basic Part B Funds	\$34,509.00
Medicaid Reimbursement	\$26,431.61
Tuition In Receipts	\$0.00
Claim Form Receipts	\$0.00
IDEA Part B ARRA Funds	\$18,650.00
Teacher Quality/Compensation	\$15,951.39
Other Special Education Revenues	\$0.00
Total Revenues	\$1,623,117.00

Expenses	
Salaries	\$534,912.63
Benefits	\$137,060.39
Travel	\$103.92
Supplies & Materials	\$4,218.11
Contracted Services (Non-Tuition)	\$3,813.62
Equipment	\$98.89
Transportation	\$21,460.10
Tuition Out	\$178,695.92
General Program Expenses	\$458,307.66
Maintenance of Effort Reduction Amount	\$204,330.69
Total Expenses	\$1,543,001.93

How does the MOE reduction process impact our quarterly ARRA reporting?

The LEA just enters the special education expense categories it used when reclassifying special education expenses as being funded with ARRA in entry #1 of the MOE reduction process.

Is there a difference when using the MOE reduction process for an LEA that deferred its first installment of IDEA Part B ARRA funds (June 2009) into FY10 and for an LEA that used all or part of the first installment of IDEA Part B ARRA funds in FY09?

No. The MOE reduction process is limited by the maximum allowable amount listed on the DE website and whether or not an LEA used any of its first installment or not does not impact either entry #1 or #2.

MOE Reduction Process Repeated **In the Language of Iowa School Finance**

Q. What is the difference between a district that deferred its ARRA IDEA Part B and one that did not?

A. There will be two differences:

1. The district that deferred its ARRA IDEA Part B funding will have a reversing general journal entry. It will debit the deferred revenue on its balance sheet and credit revenue.
2. The district that did not defer its revenue in FY2009, but expended it all, may need an additional amount of the ARRA IDEA Part B funding paid to it in the April payment. The Department will ensure that any district which does not have 50% of the total ARRA IDEA Part B (from total installments over all years 2009-2011) available as revenue in 2009-2010, will receive an additional amount in the April payment so that it does have the 50% it needs to fully implement the maintenance of effort reduction in state and local expenditures for special education programs.

Q. So are you saying that the 50% is actually calculated on the total of the ARRA IDEA Part B and is not calculated based on 50% of the payments received by the districts between July 1, 2009 and June 30, 2010?

A. Yes that is correct. The DE intends to award the ARRA IDEA Part B Grants in five installments beginning with the first installment on May 1, 2009. It is the DE's intent that the remaining four installments be distributed on October 1, 2009; April 1, 2010; October 1, 2010; and April 1, 2011. AEAs and LEAs must obligate all IDEA, Part B, ARRA funds by September 30, 2011.

Even though the total ARRA IDEA Part B is paid in five installments over FY09, FY10, and FY11, the DE will ensure that each district has enough revenue (deferred revenues from FY09 plus new FY10 revenues) during FY10 to equal at least 50% of the total ARRA IDEA Part B (total of all five installments) so that qualified districts can fully participate in the maintenance of effort reduction.

Q. What will be the impact on the unspent balance if a district uses ARRA IDEA Part B funding to reduce state and local effort for special education programs?

A. There is no impact on the unspent balance for the maintenance of effort reduction.
See chart below.

		With MOE Reduction Actual FY10	Without MOE Reduction Actual FY10
1	Regular Program District Cost	49,250,698	49,250,698
2	Regular Program Budget Adjustment	+	0
3	Supplementary Weighting District Cost	+	1,083,783
4	Special Ed District Cost	+	5,296,375
5	Teacher Salary Supplement District Cost	+	0
6	Prof Dev Supplement District Cost	+	0
7	Early Intervention Suppl District Cost	+	0
8	AEA Special Ed Support	+	2,319,382
9	AEA Special Ed Support Adjustment	+	0
10	AEA Media Services	+	480,435
11	AEA Educational Services	+	526,929
12	AEA Sharing District Cost	+	0
13	AEA Teacher Salary Suppl District Cost	+	0
14	AEA Prof Dev Suppl District Cost	+	0
15	Dropout Prevention Allowable Growth	+	2,362,050
16	SBRC Allowable Growth Other #1	+	157,501
17	SBRC Allowable Growth Other #2	+	1,612,541
18	Special Ed Deficit Allowable Growth	+	2,924,124
19	Special Ed Positive Balance Reduction	-	0
20	AEA Special Ed Positive Balance	-	0
21	Allowance for Construction Projects	+	0
22	Unspent Allowance for Construction	-	0
23	Enrollment Audit Adjustment	+	-129,776
24	AEA Prorata Reduction	-	171,508
25	Maximum District Cost	=	65,712,534
26	Preschool Foundation Aid	+	0
27	Instructional Support Authority	+	4,401,082
28	Ed Improvement Authority	+	0
29	Other Miscellaneous Income	+	14,398,640
30	Unspent Auth Budget - Previous Year	+	15,781,824
31	GAAP Conversion Hold Harmless	+	0
32	Maximum Authorized Budget	=	100,294,080
33	Expenditures	-	84,730,249
34	Unspent Authorized Budget	=	15,563,831

Q. How is that possible that the special education positive balance or deficit balance will not be changed by the reduction in state and local effort for special education programs?

A. It is based on Federal regulations on how a state can apply its ARRA IDEA Part B funding. So the special education weighted dollars that are used for non-special education expenditures, must be included as special education expenditures for purposes of Iowa Code section 257.31(14) which calculates special education balances.

To accomplish this, districts and AEAs have been told to code to project 3308 all of the non-special education expenditures paid with the special education weighted dollars through the maintenance of effort reduction in state and local effort for special education programs.

Q. So why would a district want to reduce its state and local effort for special education programs if there is no change to the unspent balance anyway?

A. If the district reduces its state and local effort for special education programs in FY10, then it will have a lower threshold amount that it must meet for the measurement of maintenance of state and local effort in FY11.

Q. If the unspent balance is not impacted due to the reducing of the maintenance of state and local effort, then what is impacted besides the next year's calculation of maintenance of effort?

A. The impact is on the unreserved fund balance instead of the unspent balance. See chart on the next page.

LEGEND:

Green = IDEA Part B

Orange = ARRA IDEA Part B

Blue = State and Local Special Education Weighting Dollars

Unshaded = Non-special Education

Revenues and Balance Sheet	Expenditures without MOE reduction	MOE Reduction, Step 1: ARRA IDEA PB 50% used to pay sp ed costs instead of state and local weighted dollars	MOE Reduction, Step 2: Freed up state and local weighted dollars used to pay for non-sp ed costs that qualify as ESEA purpose EVEN THOUGH NOT FEDERAL
IDEA Part B federal revenue	sp ed costs	sp ed costs	sp ed costs
ARRA IDEA Part B federal revenue - 50% of 3-yr total	sp ed costs	sp ed costs	sp ed costs
ARRA IDEA Part B federal revenue - balance received	sp ed costs	sp ed costs	sp ed costs
State and local sp ed weighting dollars revenues	sp ed costs	sp ed costs	sp ed costs
	sp ed costs	sp ed costs	sp ed costs
Deferred revenues if not expended in FY	sp ed costs	sp ed costs	sp ed costs
ARRA IDEA Part B federal revenue	sp ed costs	sp ed costs	sp ed costs
	sp ed costs	sp ed costs	sp ed costs
Reserved fund balance if not expended in FY	sp ed costs	sp ed costs	sp ed costs
State and local sp ed weighting dollars	sp ed costs	sp ed costs	sp ed costs
	sp ed costs	sp ed costs	sp ed costs
	new sp ed costs for ARRA IDEA PB balance	new sp ed costs for ARRA IDEA PB balance	new sp ed costs for ARRA IDEA PB balance
	new sp ed costs for ARRA IDEA PB balance	new sp ed costs for ARRA IDEA PB balance	new sp ed costs for ARRA IDEA PB balance
	new sp ed costs for ARRA IDEA PB balance	new sp ed costs for ARRA IDEA PB balance	new sp ed costs for ARRA IDEA PB balance
	non-sp ed costs	non-sp ed costs	non-sp ed costs
	non-sp ed costs	non-sp ed costs	non-sp ed costs
	non-sp ed costs	non-sp ed costs	non-sp ed costs
	non-sp ed costs	non-sp ed costs	non-sp ed costs
		Freed up state and local sp ed weighting dollars	
		Freed up state and local sp ed weighting dollars	
		Freed up state and local sp ed weighting dollars	
		Freed up state and local sp ed weighting dollars	
			Increase to Unreserved Fund Balance
			Unexpended non sp ed dollars
			Unexpended non sp ed dollars
			Unexpended non sp ed dollars
			Unexpended non sp ed dollars